

STATE OF VERMONT  
PUBLIC UTILITY COMMISSION

Case No. 18-0974-TF

Tariff filing of Green Mountain Power Corporation requesting a 5.45% increase in its base rates effective with bills rendered January 1, 2019, to be fully offset by bill credits through September 30, 2019

PREFILED SURREBUTTAL TESTIMONY OF

BRIAN E. WINN

ON BEHALF OF THE

VERMONT DEPARTMENT OF PUBLIC SERVICE

October 8, 2018

Summary: Mr. Winn provides an overview of the Department of Public Service's (the "Department") revised recommendation to reduce Green Mountain Power's requested revenue requirement by approximately \$3.4 million. Mr. Winn also responds to the rebuttal testimony of Brian Otley Josh and introduces the rebuttal testimony of the Department's witnesses, and briefly discusses innovative services.

**Mr. Winn Sponsors the Following Exhibits:**

Exhibit PSD-BEW-4: Department of Public Service Analysis of Exh. GMP-JC-3 (Rev.)

1 **Q1. Please state your name, occupation, and business address.**

2 A1. My name is Brian E. Winn. I am the Director of Finance & Economics at the Vermont  
3 Department of Public Service (the "Department" or "PSD"). My responsibilities include  
4 direction of Utility Finance and Economics group activities for the Department and the  
5 State of Vermont. My business address is 112 State Street, Montpelier, Vermont 05620.

6  
7 **Q2. Are you the same Brian W. Winn that filed direct testimony in this case on August**  
8 **10, 2018?**

9 A2. Yes.  
10

11 **Q3. What is the purpose of your testimony?**

12 A3. In my testimony I provide an overview of the Department of Public Service's revised  
13 recommendation to reduce Green Mountain Power's requested revenue requirement by  
14 approximately \$3.4 million. ....I also responds to the rebuttal testimony of Brian Otley  
15 and Josh and introduces the rebuttal testimony of the Department's witnesses, and briefly  
16 discusses innovative services.  
17

18 **Q4. Has GMP modified it's request?**

19 A4. Yes. GMP's rate filing with the Commission now consists of a base rate increase of 5.43  
20 percent which is offset by a onetime bill credit associated with returning excess  
21 Accumulated Deferred Income taxes as a result of the recent federal tax legislation. The  
22 net result is a decrease of 0.9 percent for rates starting January 1, 2019. However, they

exclude the impact of the GF sales on their analysis preferring to wait for the results of the pending rate design proceeding. The total request from GMP would be [REDACTED] and the net result would [REDACTED] be including the impact of the GF contract.

**Q5. What is the Department's recommendation regarding the Company's requested rate increase?**

**A5.** GMP filed a cost-of-service ("COS") that reflects a \$25.112 million revenue deficiency. The Department's overall conclusion is that there is a deficiency of \$21.687 million. Therefore, the Company's request of 5.43 percent is reduced to 4.7% percent. The table below summarizes the Department's proposed adjustments:

**Summary of DPS Adjustments to GMP Cost-of-service**

	<u>\$1,000</u>	<u>% Inc</u>
Revenue Deficiency per GMP COS	\$25,112	5.45%
DPS Adjustments to COS		
Regional Network Service Costs	(\$398)	
Depreciation & Amortization	(\$1,160)	
Taxes - Federal, State & Gross Receipts	(\$455)	
Return on Utility Rate Base	(\$1,954)	
Other Operating Revenue	\$541	
Total DPS Adjustments	(\$3,426)	
DPS COS Deficiency	\$21,687	4.70%

1 Mr. Jacob Thomas of GDS Associates has prepared a revised COS model to summarize  
2 the final rate impact of the Department's recommendations. Mr. Thomas's COS model  
3 begins with the revised COS submitted by GMP in its rebuttal testimony. From there he  
4 makes adjustments to rate base and capital spending based on information included in  
5 GMP's filing materials and discovery responses.

6  
7 **Q6. Have the Department and GMP reached agreement on any adjustments proposed in**  
8 **the Department's direct testimony?**

9 A6. Yes. GMP has adopted the Departments recommendation that \$397,682 be removed from  
10 Transmission costs to reflect actual Regional Network Service ("RNS") charges, the  
11 adjustment to the short term-debt rate component of the Cost of capital and certain of the  
12 capital spending reductions. GMP has proposed to adjust the way it accounts for RECs  
13 held for sale in a manner that is acceptable to the Department. Finally, GMP has  
14 provided financial assurance around the performance of the Storage/Solar projects. I will  
15 provide additional details on some of these items later in my testimony.

16  
17 **Q7. Please briefly summarize the Department's proposed adjustments to GMPs Cost-of-**  
18 **service?**

19 A7. The Department continues to recommend that the Commission remove the Tesla  
20 Powerwalls, Heat Pump Water Heaters, certain T&D projects and a portion of blanket  
21 projects from rate base in the case, for a total rate base reduction of \$34.1 million. I will  
22 provide additional details on these items later in my testimony.

1  
2 **Q8. Has the rebuttal testimony of GMP changed the Departments recommendations**  
3 **regarding GMP's capital planning and energy procurement processes?**

4 A8. The Department continues to recommend that the Commission require GMP to: (1)  
5 consider all reasonable alternatives to proposed capital projects and solicit Requests for  
6 Proposals ("RFPs") when multiple vendors are available; (2) maintain adequate  
7 contemporaneous information on the capital project planning and project approval  
8 processes; (3) improve its methods for prioritizing reliability projects; and (4) follow a  
9 more structured process for procuring energy and capacity resources including soliciting  
10 RFPs. However, Edward McNamara notes that with respect to item number (4) GMP and  
11 the Department have begun discussions on how to collaborate to improve the process.

12  
13 **Rate Driver Analysis**

14 **Q9. Did GMP rebut your conclusion that an analysis of the rate drivers focusing on the**  
15 **numbers in this case would require too many adjustments to the nine-month test**  
16 **period and rate period and therefore the results are not likely to be meaningful?**

17 A9. No.  
18

19 **Q10. How do you respond to Brian Otley's criticism of your analysis of the main cost**  
20 **drivers of GMP rate increases?**

21 A10. Brian Otley states that GMP strongly disagrees the conclusion that GMP rate base growth  
22 is a key driver of cost growth from 2013 to 2018 and then provides a narrative description

of all the benefits of GMP's capital spending. His testimony consists of general statements and he provides no numerical analysis to back up his claim that GMP's capital spending is not a key driver of costs. In fact, he claims that some GMP investments reduce costs to rate payers but produces no data to back up his claims. In response to a discovery request to produce any analysis he conducted to support his claims, he provided additional narrative and a one-page graphic with no supporting data.

**Q11. Does the Department still believe the analysis of the rate trends for the period 2013 through 2018 presented in its direct testimony, is an accurate representation of the key cost drivers contributing to rate increases.**

A11. Yes. The department continues to believe the analysis of the rate trends for the period 2013 through 2018 presented in its direct testimony, and repeated in the chart below, is an accurate representation of the key cost drivers contributing to rate increases.

**Comparison of Changes to GMP Cost of Service - 2013 Recorded to 2018 Settlement  
In \$1,000s**

	<b>2013 Test Year Actual</b>	<b>2018 Settlement</b>	<b>Dollar Change</b>
Purchased Power and Production	\$322,603	\$289,154	(\$33,449)
Net Transmission	\$31,676	\$28,878	(\$2,798)
O&M Platform, Other O&M and Savings	\$117,541	\$104,571	(\$12,970)
Rate Base Related Costs			
Depreciation & Amortization & Other	\$45,611	\$53,270	\$7,659
Taxes - Federal, State & Municipal	\$46,809	\$67,487	\$20,678
Return on Utility Rate Base	\$66,673	\$98,535	\$31,862
Less Affiliate & Other Operating Revenue	(\$33,282)	(\$21,583)	\$11,699
Gross Revenue & Fuel Gross Receipts Taxes	\$6,094	\$6,266	\$172
Cost to Ultimate Consumers	\$603,724	\$626,578	\$22,854

1 Over the period, Purchased Power Costs declined by \$33.4 million and O&M has  
2 declined by almost \$13 million. Net Transmission costs, defined as transmission O&M  
3 net of equity in earnings from subsidiaries have remained relatively stable with a \$2.8  
4 million decline. However, these cost reductions have been more than offset by a \$60.2  
5 million increase in rate base (capital and investment) related costs.  
6

7 **Q12. Have you completed additional analysis to address the concerns raised by Edmund**  
8 **Ryan in his rebuttal testimony?**

9 A12. Yes. Eddie Ryan objects to way the Department treated transmission costs and describes  
10 two methods that he believes would be an acceptable approach to the treatment of  
11 transmission costs. On pages 13 and 14 of his rebuttal he states:

12 “GMP believes that the appropriate rate drivers grouping for Transco/VELCO  
13 investments involves either: 1) separating the actual transmission operating  
14 expenses paid to ISO-NE and Transco/VELCO from the cost and returns created  
15 from GMP’s ownership investments in Transco/VELCO (which is the way GMP  
16 looks at it as reflected in the chart that GMP showed in the rate case workshop);  
17 or 2) combining all three together in a single analysis.”

18 The Department sees the logic of both methods described by Mr. Ryan but does not agree  
19 with Mr. Ryan that GMP has presented the transmission costs consistent with the first  
20 method.  
21

**Q13. Do you agree with the method GMP uses to group costs in its analysis of the key factors driving rate increases?**

**A13.** No. The table below shows the separate cost components that make up the Net Transmission (including rate base costs) line used in the Departments analysis and a calculation of the rate base related costs of the investments in VELCO/Transco:

**Net Transmission (Including Rate Base Costs)**  
**In \$1,000s**

	<b>2013 Test Year Actual</b>	<b>2018 Settlement</b>	<b>Dollar Change</b>
Operating Expenses	\$72,575	\$112,799	\$40,224
Equity in Earnings of Transmission Affiliates	(\$40,899)	(\$83,921)	(\$43,022)
Taxes and Return on Transmission Estimate	<u>\$26,946</u>	<u>\$42,938</u>	<u>\$15,991</u>
<b>Total</b>	<b>\$58,622</b>	<b>\$71,816</b>	<b>\$13,194</b>

Mr Ryan states the GMP combines equity in earnings from Transmission with the taxes and return components. However, they do not show the resulting numbers separately. Rather they combine Equity in Earnings from all sources with the total return on rate base. The effect of the way that GMP has chosen to group the costs is to mask the contribution of its non-transmission rate base investments to the increase in costs. Furthermore, presenting the analysis in terms of a weighted percentages makes it difficult to determine the nominal dollar contribution to increasing rates. Finally, when VELCO presents the cost of transmission they are careful to show the O&M costs and the dividends (equity in earnings from subsidiaries on GMP statements) together. This is the approach that I used in my direct testimony.

**Q14. Please describe the results of the analysis showing each of the transmission cost components combined – Mr Ryan’s method number 2.**

A14. For this analysis the Department used the information provided by GMP to separate the investment in the transmission subsidiaries (VELCO/Transco) from the rest of GMP’s rate base costs and repeated the analysis shown in direct testimony. The advantage of this analysis is that it most accurately reflects the total cost of transmission paid by GMP ratepayers. The results of this analysis are presented in the table below.

**Comparison of Changes to GMP Cost of Service - 2013 Recorded to 2018 Settlement**  
In \$1,000s

	<b>2013 Test Year Actual</b>	<b>2018 Settlement</b>	<b>Dollar Change</b>
Purchased Power and Production	\$322,603	\$289,154	(\$33,449)
Net Transmission (Including Rate Base Costs)	\$58,622	\$71,816	\$13,194
O&M Platform, Other O&M and Savings	\$117,541	\$104,571	(\$12,970)
Rate Base Related Costs (Excluding Transmission)			
Depreciation & Amortization & Other	\$45,611	\$53,270	\$7,659
Taxes - Federal, State & Municipal	\$38,818	\$40,181	\$1,363
Return on Utility Rate Base	\$47,717	\$68,686	\$20,969
Less Affiliate & Other Operating Revenue	(\$33,282)	(\$21,583)	\$11,699
Gross Revenue & Fuel Gross Receipts Taxes	\$6,094	\$6,266	\$172
Cost to Ultimate Consumers	\$603,724	\$626,578	\$8,637

The analysis shows again that over the period, Purchased Power Costs declined by \$33.4 million and O&M has declined by almost \$13 million. Net Transmission costs, defined as transmission O&M, plus Return on Rate base and Income taxes related to GMP’s investment in VELCO and Transco, net of equity in earnings from subsidiaries, increased by 13.2 million. However, GMP’s rate base related costs, even excluding transmission,

1 amount to a \$30 million increase. Again, the single largest cost driver of rate increases  
2 over the period.  
3

4 **Q15. Do you agree with the method GMP to group costs in its analysis of the key factors**  
5 **driving rate increases?**

6 A15. No. Grouping the equity in return on transmission investments with GMP's overall  
7 return rate base is contrary to the methods described by Eddie Ryan as being the  
8 appropriate way of presenting the transmission costs. The effect is to mask the  
9 contribution of GMP rate base costs to increase in rates. Furthermore, presenting the  
10 analysis in terms of a weighted percentages makes it difficult to determine the nominal  
11 dollar contribution to increasing rates. VELCO presents the cost of transmission they are  
12 careful to show the O&M costs and the dividend (equity in earnings from subsidiaries on  
13 GMP statements) together.  
14

15 **Q16. How do you respond to Brian Otley's claims, on pages 2 and 3 of his rebuttal, that**  
16 **you implied GMP capital spending was increasing?**

17 A16. This is a mischaracterization of my testimony. My comments about their level of capital  
18 spending were made during the discussion on what is causing rates to increase. I directly  
19 stated that rate base is increasing, and I referred to the level of capital spending and  
20 investments projected by GMP to a rating agency. Even at the \$85 million level of  
21 capital spending proposed by GMP rate base will continue to increase unless depreciation  
22 rates are adjusted upward. Furthermore, GMP continues to make investments in

1 subsidiaries, which are not included in this commitment, and which will also increase rate  
2 base. This will put upward pressure on rates.

3  
4 **Q17. Question 6 on page 4 of Brian Otley's rebuttal states that you criticized GMPs long-**  
5 **term incentive program? Did you?**

6 A17. No. This yet another mischaracterization of my testimony by Mr. Otley. I simply cited  
7 the Long-term incentive plan targets as an indication that rate base is likely to continue to  
8 increase. To be clear I have no issue with the structure of GMP's long-term incentive  
9 plan. The GMP plan is substantially similar to the long-term incentive plans of many  
10 investor owned utilities. Long-term incentive plans are adopted to align management's  
11 incentive with the goals of investors to increase the value of the firm. For most investor  
12 owned utilities long-term incentives are tied to stock price and/or dividend growth.  
13 Generally stock prices and/or dividend increase when earnings increase. Since GMP is  
14 not publicly traded, the plant values included in their long-term incentive plan are a  
15 logical replacement for the stock price. As the level of assets increase the rate base will  
16 generally increase. Increasing rate base will result in increasing earnings and an increase  
17 in the value of the firm.

18  
19 **Q18. Please summarize your conclusions.**

20 A18. There is absolutely no doubt that from 2013 to 2018 the growth in GMP rate base (even  
21 excluding costs associated with the investments in transmission subsidiaries) is the  
22 primary driver rate increases. It is not appropriate to isolate one component of

1 transmission costs while burying the offsetting equity in earnings from affiliates in a  
2 different category of costs. Again, this analysis confirms that the Departments focus on  
3 GMP's capital costs and investments in subsidiaries is warranted.

4  
5 **Proposed Capital Spending & Investments**

6  
7 **Q19. Do you support the proposed adjustment to Transmission, Distribution and General**  
8 **Plant rate base discussed in the testimony of Kevin Mara of GDS Associates?**

9 A19. Yes. I am recommending that the Commission adopt the adjustments to T&D capital  
10 spending included in the testimony of Kevin J. Mara, of GDS Associates Inc., which total  
11 \$7.1 million. Mr. Mara responds to GMP's rebuttal testimony around T&D planning,  
12 confirms the rationale for excluding this amount. The Department recommends the  
13 Commission adopt the resulting adjustments totaling \$12.16 million.

14  
15 **Q20. Has GMP's rebuttal altered the Department's recommendation that the Heat-Pump**  
16 **Water Heater (HPWH) products be excluded from rate base.**

17 A20. No. The Department's analysis of the information provided in Josh's spreadsheet  
18 produces a nominal benefit. However, that benefit is highly dependent on the assumption  
19 of incremental energy use. In his response to DPS3.Q14.d. Josh Castonguay and Craig  
20 Ferreira indicated that GMP does not have information on what types of water heaters the  
21 new Heat-Pump Water heaters replaces. If the HPWHs replaced electric heat pumps,  
22 usage may go down, not up, thereby eliminating any benefits and even resulting in a slight

1 cost in terms of lost margin from sales. Additionally, GMP has not implemented the  
2 technology required to control these devices for the benefit of all rate payers. These  
3 devices are readily available consumer products. In this case the concerns about a  
4 regulated monopoly competing in an unregulated business outweigh the minor benefits.  
5 To extend rate base treatment for commercially available, behind the meter consumer  
6 products, solely because they may provide incremental benefits creates too many  
7 complications. If that were the case, there would be no logic for excluding toasters from  
8 rate base.

9 Until GMP has implemented the ability to control these devices for the benefit of all  
10 ratepayers and can confirm the stated benefits, the Department recommends excluding  
11 them from rate base to remedy the competitive advantage created by GMP's monopoly  
12 position and the regulated rate of return on the investment.  
13

14 **Q21. Has the rebuttal testimony of Brian Otley or Josh Castonguay changed the**  
15 **Department's recommendation that the Tesla Powerwall products be excluded from**  
16 **rate base?**

17 A21. No. The concerns about whether the project will yield any benefits to non-participating  
18 ratepayers remain. Through analysis of the spread sheet used to develop Exhibit GMP-  
19 JC-3 (Rev.) included in rebuttal testimony of Joshua Castonguay, the Department has  
20 clearly established that non-participating rate payers will provide a significant subsidy to  
21 Powerwall program participants. GMP's own NPV analysis shows that non-participating  
22 customers will not see a positive NPV until year ten. One of the Departments criteria for

1 including commercially available consumer products in rate base is that no such subsidy  
2 occur. Additionally, in his surrebuttal testimony, Christopher C. Dawson of GDS  
3 Associates explains how GMP's projections likely overstate the benefits of the program  
4 and concludes that "the Powerwall program cannot be deemed necessary or cost  
5 effective."

6  
7 **Q22. Please provide additional details on the analysis showing that non-participating rate**  
8 **payers will provide a significant subsidy to Powerwall program participants.**

9 A22. The Department sorted the information provided in Exh. GMP-JC-3 (Rev.) by product  
10 line. The complete analysis is provided in Exhibit PSD-BEW-4. The results for the Tesla  
11 Powerwall project are shown in the table below.

**Tesla Powerwall Pilot Cost(Benefit) Analysis - 2019 Rates**

Monthly Revenue	(\$173,070)
Sales	(\$219,000)
Power Supply Savings	(\$682,353)
Depreciation Expense	\$972,404
Return on Rate Base	<u>\$764,003</u>
<b>Subtotal Ratepayers Cost(Benefit)</b>	<b>\$661,984</b>
Innovative Program O&M*	<u>\$175,757</u>
<b>Total Ratepayers Cost(Benefit)</b>	<b>\$837,741</b>

\*Allocated based on the capitalized A&G from GMP in discovery response DPS3.Q10.c.

12  
13 The table above demonstrates that, even before included Innovative Program O&M and  
14 assuming the Power Supply Savings projected by GMP, current ratepayers are  
15 subsidizing customers participating in the Powerwall innovative pilot by at least

1       \$661,984. GMP did not provide a requested allocation of Innovative Program O&M, so  
2       the Department allocated this cost based on the Powerwall program share of Capitalized  
3       A&G. Assuming this allocation of Innovative program O&M, the amount of the subsidy  
4       increases to over \$800,00. The Department's analysis excludes Capitalized A&G as it is  
5       not benefit to ratepayers.

6  
7       **Q23. Please explain why capitalizing A&G does not provide a saving or benefit to**  
8       **ratepayers.**

9       A23. Simply put, capitalizing A&G means that the ratepayers will pay A&G over time instead  
10      of in the year the cost is incurred. For example, if GMP capitalizes a dollar of A&G  
11      ratepayers will pay a dollar less in O&M in that year. However, GMP will add that dollar  
12      to rate base and customers will pay that back that dollar in depreciation over time.  
13      Because GMP adds capitalized A&G to rate base, customers will also pay return and  
14      taxes on the undepreciated amount of A&G. On a net present value basis, the amount  
15      ratepayers pay for capitalizing a dollar of A&G is approximately equal to expensing a  
16      dollar of A&G. There are no savings to rate payers over time. Any change in rates is  
17      temporary.

18      The Department is concerned that GMP has included the impact of capitalized A&G as a  
19      savings and represented that GMP investors will share that benefit through the O&M  
20      savings sharing mechanism adopted in docket ..... If that is true, during the period of  
21      50/50 sharing, ratepayers are paying approximately \$1.50 for every \$1.00 of capitalized

1 A&G on present value basis. The Department will need to do additional research on the  
2 scope of this issue and reserves the right to address this issue in a future proceeding.

3  
4 **RECs Held for Sale**

5 **Q24. In his direct testimony Mr. McNamara's recommended that REC inventory be**  
6 **removed from Rate Base. Has GMP accepted that recommendation?**

7 A24. Yes. GMP generally supports the ratemaking proposal to move away from an inventory  
8 approach to REC accounting where there is no contractually assigned price. For RECs  
9 currently in inventory. GMP has agreed to earn a return on this inventory balance based  
10 on their short-term debt bank loan interest rate, and GMP proposes to work with the  
11 Department to develop a plan to transition away from the current REC inventory  
12 approach, and the disposition of REC's currently in inventory, as part of their Multi-Year  
13 Rate Plan.

14  
15 **Capital Structure and Cost of Capital**

16 **Q25. Does GMP agree with Mr. Baudino's recommendation to lower GMP's cost of debt?**

17 A25. Yes. In their revised COS GMP updated interest rates to reflect the actual interest rates  
18 on the September and December 2018 long-term debt issuances a 4.50% interest rate on  
19 the remaining 2 other projected long-term debt issuances.

20  
21 **Storage/Solar JV Projects**

22 **Q26. Please summarize the Departments concerns with the Storage/Solar JV projects?**

1 A26. The Department's view is there is a need to ensure a balance of equities with respect to  
2 these projects and that GMP should provide an assurance for some portion of the benefits.  
3 The company did not establish an operational need nor engage in a competitive  
4 procurement process for the battery components of the projects. The Department was  
5 provided with no contemporaneous documentation demonstrating the GMP evaluated  
6 alternatives to these projects. Finally, Mr. Dawson of GDS Associates has raised  
7 concerns about the analysis showing that the project will provide economic benefits since  
8 the market price forecasts were generally optimistic.

9 Ratepayers bear a risk associated with the net present value ("NPV") due to the length of  
10 the payback time and the volatility associated with the market price risk and the  
11 performance of the asset. On the other hand, GMP and the project investors will earn  
12 returns with little risk. These returns are backstopped by rate payer money and thus,  
13 absent safeguards, the rate payers would be asked to bear a disproportionate amount of  
14 risk as compared to GMP and the project investors.

15  
16 **Q27. Will the risk sharing mechanism provided for in the MOU adopted in Docket 17-**  
17 **5003-PET provide the financial assurance sought by the Department?**

18 A27. Yes. The MOU provides a mechanism to track the project's performance with respect to  
19 the realized value associated with the Regional Network Service, Forward Capacity  
20 Market and Regulation Service from these projects. Annually, GMP will prepare a 10-  
21 year NPV forecast, updated for the actual values received to date. In years five and ten  
22 these values will be compared to the original NPV estimate, and if the difference is

1 greater than a 15 percent dead band, a rate adjustment will be calculated. The rate  
2 adjustment calculation will segregate the volume risk from price risk. GMP will assume  
3 different portions of each risk. The MOU also requires GMP to adopt a more  
4 comprehensive process to identify the system need, consider all viable alternatives and  
5 conduct competitive procurement for contractors and components. Further details on the  
6 operation of the financial assurance mechanism can be found in the MOU and  
7 attachments Exhibit \_\_\_\_\_. The Department's position is that this MOU provides  
8 adequate financial assurance for the ratepayers.

9  
10 **Q28. Does the Department still have reservations about the way GMP is accounting for**  
11 **the year-one HLBV and developer fee?**

12 **A28.** Yes. In his direct testimony, Terry Myers of GDS Associates, Inc. raises a concern  
13 regarding how GMP is treating the HLBV and the up-front developer fee when its  
14 Storage/Solar Joint-Venture ("JV") projects are put in service. GMP currently uses this  
15 fee to reduce amortization, which benefits ratepayers in the first year but results in higher  
16 costs in subsequent years, resulting in an intergenerational inequity. The traditional  
17 ratemaking approach these benefits would be to amortize them over the life the projects.  
18 Mr. Myers also indicates that the IRS may determine that this upfront treatment violates  
19 its normalization rules. If that is the case, GMP could lose its ability to use accelerated  
20 depreciation. The MOU does not address this topic but, GMP stated in its rebuttal  
21 testimony that this risk will be borne by GMP investors and not ratepayers.

1    **Q29. Does this conclude your testimony?**

2    A29. Yes.